

Message Text

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53

ACTION NEA-10

INFO OCT-01 AF-06 ARA-10 EUR-12 EA-10 ISO-00 ERDA-07

AID-05 CEA-01 CIAE-00 CIEP-02 COME-00 DODE-00 EB-07

FEAE-00 FPC-01 H-02 INR-07 INT-05 L-03 NSAE-00 NSC-05

OMB-01 PM-03 USIA-15 SAM-01 OES-05 SP-02 SS-15 STR-04

TRSE-00 FRB-01 AGR-10 OIC-02 PA-02 PRS-01 /156 W

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R 151200Z JUL 75

FM AMEMBASSY KUWAIT

TO SECSTATE WAHDC 3338

INFO AMEMBASSY ABU DHABI

AMEMBASSY ALGIERS

AMEMBASSY BEIRUT

AMEMBASSY CARACAS

AMEMBASSY DOHA

AMEMBASSY JAKARTA

AMEMBASSY JIDDA

AMEMBASSY LAGOS

AMEMBASSY LIBREVILLE

AMEMBASSY LONDON

AMEMBASSY QUITO

AMEMBASSY TEHRAN

AMEMBASSY TRIPOLI

AMEMBASSY VIENNA

USMISSION OECD PARIS

USMISSION EC BRUSSELS

USINT BAGHDAD

UNCLAS KUWAIT 2973

E.O. 11652: NA

TAGS: ENRG KU

SUBJ: GOK OIL POLICY STATEMENT

REF: KUWAIT 2783

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SUMMARY: MINISTRY OF OIL KAZEMI, IN MAJOR OIL POLICY STATEMENT TO NATIONAL ASSEMBLY, AFFIRMED GOK DESIRE TO SEEK COOPERATIVE SOLUTIONS TO INTERNATIONAL OIL PROBLEMS AND SAID GOK FAVORS INTERNATIONAL CONFERENCE ON RAW MATERIALS. SPEECH CONCENTRATED ON DOMESTIC POLICIES REVIEWING RECENT STEPS BY GOK TO CONTROL ALL MAJOR ASPECTS LOCAL INDUSTRY. ONLY GENERAL REFERENCE MADE TO KOC TAKEOVER TALKS, PROMISING MORE DEFINITIVE STATEMENT IN NEAR FUTURE. KAZEMI STRESSED CONSERVATION. INDICATED 1975 KUWAITI CRUDE PRODUCTION LIKELY TO BE ABOUT 2 MILLION BPD, BUT CITED DEVELOPEMENTAL AND FINANCIAL REQUIREMENTS AND SAID PRODUCTION POLICY SHOULD BE FLEXABLE. MINISTER INDICATED KNPC WILL HAVE MAJOR RESPONSIBILITIES AS GOK EXPANDS REFINING AND OTHER PERTOLEUM RELATED INDUSTRIAL AND TRANSPORTATION ENTERPRISES. OIL MINISTER AFFIRMED GOK SUPPORT FOR OPEC AND OAPEC. END SUMMARY.

1. MINISTER OF OIL OIL KAZEMI MADE MAJOR OIL POLICY STATEMENT TO NATIONAL ASSEMBLY JULY 12, SOME DAYS LATER THAN ORGININALLY ANTICIPATED. HIS REMARKS WERE GENERALLY CONSISTENT WITH PRE- DICTIONS OF WHAT HE WOULD SAY AS REPORTED REFTEL. FULL TEXT, AS REPORTED JULY 12 IN KUWAIT TIMES, BEING SENT TO DEPARTMENT BY AIRGRAM. HIGHLIGHTS FOLLOWS.

2. AFTER NOTING GOK INTEREST IN BOTH DOMESTIC AND FOREIGN ASPECTS OF PETROLEUM POLICY, KAZEMI CONCENTRATED ON DOMESTIC CONSIDERATIONS WHICH HE DIVED INTO ORGANIZATIONAL AND SUBJECTIVE (I.E. SUBSTANTIVE). HEREVIEWED RECENT DEVELOPEMENTS THAT HAVE EFFECTIVELY GIVEN GOK CONTROL OVER SUCH ASPECTS OF OIL POLICY AS CONSERVATION, PRICES, TAXES, ROYALTIES, COMPANY PROFITS AND LABOR AFFAIRS.

3. KAZEMI THEN SAID QUOTE THERE REMAINS A FINAL STATE WHICH IS THE COMPLETE TAKEOVER OF OIL PRODUCTION FACILITIES...UNQUOTE, AND HE DISCUSSED IN VERY GENERAL TERMS CURRENT DISCUSSIONS BETWEEN GOK AND GULF/BP RE 100 PERCENT TAKE OVER OF KOC. KAZEMI SAID GOK WILL INFORM NATIONAL ASSEMBLY IN NEAR FUTURE (PRE- SUMABLY NEXT FALL, AFTER SUMMER RECESS ENDS) OF FINAL RESULTS THESE NEGOTIATIONS AND OUTLINE AGREEMENTS AND ARRANGEMENTS ACHIEVED. RE OTHER COMPANIES, SUCH AS AMINOIL AND ARABIAN OIL COMPANY, KAZEMI WAS SOMEWHAT VAGUE SAYING GOK WILL ACT IN ACCORDANCE WITH PRINCIPLE OF NATIONAL CONTROL OVER WEALTH AND JOINT INVESTMENT POLICIES. HE INDICATED GOK WILL COORDINATE UNCLASSIFIED

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ACTIVITIES TOWARD NEUTRAL ZONE COMPANIES WITH SAUDIS.

4. OIL MINISTER DESCRIBED GOK PHILOSOPHY THAT ENVISAGES SEPERATION OF POLITICAL AND ECONOMIC FUNCTIONS. HE NOTED THAT SUPREME PETROLEUM COUNCIL, WHICH CHAIRED BY PRIME MINISTER, RESPONSIBLE FOR SETTING BROAD POLICIES, BUT THAT ECONOMIC FUNCTION WILL BE ASSIGNED TO A PRODUCTION PROJECTS BODY WHICH WILL FOLLOW COMMERCIAL PRATICE AND BE JUDGED BY COMMERICAL AND INDUSTRIAL

CRITERIA. KAZEMI SAID KUWAIT NATIONAL PETROLEUM COMPANY WILL BE MINISTRY OF OILS PRINCIPAL EXECUTIVE TOOL IN MANAGEING ENTITY, ALTHOUGH IT WILL BE SUBJECT TO OVERALL OFFICIAL PETROLEUM POLICIES.

5. REGARDING SUBJECTIVE OR SUBSTANTIVE MATTERS, KAZEMI DISCUSSED NEED TO CONSERVE PETROLEUM WEALTH VIA A VIS DOMESTIC ENERGY REQUIREMENTS. HE NOTED THAT GOK ECONOMIC DEVELOPEMENT POLICIES RESTED ON AVAILABILITY OF GAS, WHICH IS DIRECTLY RELATED TO OIL PRODUCTION LEVEL. ANOTHER CONSIDERATION, HE SAID, DERIVES FROM BUDGETARY AND INVESTMENT NEEDS, INCLUDING KUWAITI COMMITMENTS TO OTHER, ESPECIALLY ARAB, NATIONS. IN VIEW ABOVE CONSIDERATIONS GOK DEEMS THAT ITS POLICY BE CHARACTERIZED WITH FLEXIBILITY AND FARSIGHTNESS IN DETERMINING PRODUCTION RATES TO SECURE LONG RANGE EQUILIBRIUM. HE ALSO NOTED KUWAITI DESIRE TO MAINTAIN ITS INTERNATIONAL MARKET POSITION. IN PASSING HE NOTED OVERALL PRODUCTION DURING FIRST FIVE MONTHS OF 1975 HAS BEEN 2.1 MILLION BPD AND INDICATED GOK WANTS TO MAINTAIN 2 MILLION BPD PRODUCTION LEVEL FOR REST OF YEAR.

6. SECOND IMPORTANT CONSIDERATION, APART FROM CONSERVATION, IS MAXIMIZATION OF INCOME. KAZEMI SAID GOK WILL SEEK TO SELL HIGHER PROPORTION OF ITS GAS AND OIL IN FORM OF LPG, REFINED PRODUCTS FERTILIZERS AND PETROCHEMICALS. GOK POLICY WILL BE TO MOVE AS MUCH KUWAITI CRUDE, REFINED PRODUCTS, ETC., AS POSSIBLE THROUGH KUWAITI AND ARAB TANKERS.

7. REGARDING INTERNATIONAL PETROLEUM POLICY, KAZEMI AFFIRMED GOK SUPPORT FOR OPEC AND OAPEC AND STATED GOKS PREFERENCE FOR COOPERATION RATHER THAN FONFRONTATION AND DISPUTE. HE SAID QUOTE OUR PETROLEUM POLICY TOWARD NON-PRODUCING COUNTRIES, ADVANCED AND DEVELOPING COUNTRIES, IS SUBJECT TO UN CHARTERS UNCLASSIFIED

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AND UN DECLARATIONS WITH REGARD TO A NEW INTERNATIONAL ECONOMIC SYSTEM ISSUED IN EARLY 1974 AND ADOPTED BY ALGIERS OPEC SUMMIT EARLY THIS YEAR. IN THIS CONTEXT KUWAIT SUPPORTS CONVENING OF AN INTERNATIONAL CONFERENCE ON RAW MATERIALS. UNQUOTE.

8. COMMENT BY SEPTTEL.
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